

BREVAN HOWARD

**BH MACRO LIMITED**  
**MONTHLY SHAREHOLDER REPORT:**  
**APRIL 2014**  
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This material constitutes a financial promotion for the purposes of the Financial Services and Markets Act 2000 and the handbook of rules and guidance issued from time to time by the FCA (the "FCA Rules").

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Tax treatment depends on the individual circumstances of each investor in BHM and may be subject to change in the future. Returns may increase or decrease as a result of currency fluctuations.

You should note that, if you invest in BHM, your capital will be at risk and you may therefore lose some or all of any amount that you choose to invest. This material is not intended to constitute, and should not be construed as, investment advice. Potential investors in BHM should seek their own independent financial advice. BHAM neither provides investment advice to, nor receives and transmits orders from, investors in the funds to which this material relates nor does it carry on any other activities with or for such investors that constitute "MiFID or equivalent third country business" for the purposes of the FCA Rules.

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE RESULTS

BMANL20140430

### BH Macro Limited Overview

**Manager:** BH Macro Limited ("BHM") is a closed-ended investment company, registered and incorporated in Guernsey on 17 January 2007 (Registration Number: 46235).

Brevan Howard Capital Management LP ("BHCM") BHM invests all of its assets (net of short-term working capital) in the ordinary shares of Brevan Howard Master Fund Limited (the "Fund").

**Administrator:** BHM was admitted to the Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange on 14 March 2007.

Northern Trust International Fund Administration Services (Guernsey) Limited ("Northern Trust")

### Total Assets

\$2,110 mm<sup>1</sup>

### Corporate Broker:

J.P. Morgan Securities Ltd.

1. Estimated as at 30 April 2014 by BHM's administrator, Northern Trust.

### Listings:

London Stock Exchange (Premium Listing)  
NASDAQ Dubai - USD Class (Secondary listing)  
Bermuda Stock Exchange (Secondary listing)

### Summary Information

### BH Macro Limited NAV per Share (estimated as at 30 April 2014)

Share Class	NAV (USD mm)	NAV per Share
USD Shares	455.2	\$19.83
EUR Shares	166.1	€19.97
GBP Shares	1,489.1	£20.54

### BH Macro Limited NAV per Share % Monthly Change

USD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2007			0.10	0.90	0.15	2.29	2.56	3.11	5.92	0.03	2.96	0.75	20.27
2008	9.89	6.70	-2.79	-2.48	0.77	2.75	1.13	0.75	-3.13	2.76	3.75	-0.68	20.32
2009	5.06	2.78	1.17	0.13	3.14	-0.86	1.36	0.71	1.55	1.07	0.37	0.37	18.04
2010	-0.27	-1.50	0.04	1.45	0.32	1.38	-2.01	1.21	1.50	-0.33	-0.33	-0.49	0.91
2011	0.65	0.53	0.75	0.49	0.55	-0.58	2.19	6.18	0.40	-0.76	1.68	-0.47	12.04
2012	0.90	0.25	-0.40	-0.43	-1.77	-2.23	2.36	1.02	1.99	-0.36	0.92	1.66	3.86
2013	1.01	2.32	0.34	3.45	-0.10	-3.05	-0.83	-1.55	0.03	-0.55	1.35	0.40	2.70
2014	-1.36	-1.10	-0.40	-0.93*									-3.73*

EUR	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2007			0.05	0.70	0.02	2.26	2.43	3.07	5.65	-0.08	2.85	0.69	18.95
2008	9.92	6.68	-2.62	-2.34	0.86	2.84	1.28	0.98	-3.30	2.79	3.91	-0.45	21.65
2009	5.38	2.67	1.32	0.14	3.12	-0.82	1.33	0.71	1.48	1.05	0.35	0.40	18.36
2010	-0.30	-1.52	0.03	1.48	0.37	1.39	-1.93	1.25	1.38	-0.35	-0.34	-0.46	0.93
2011	0.71	0.57	0.78	0.52	0.65	-0.49	2.31	6.29	0.42	-0.69	1.80	-0.54	12.84
2012	0.91	0.25	-0.39	-0.46	-1.89	-2.20	2.40	0.97	1.94	-0.38	0.90	1.63	3.63
2013	0.97	2.38	0.31	3.34	-0.10	-2.98	-0.82	-1.55	0.01	-0.53	1.34	0.37	2.62
2014	-1.40	-1.06	-0.44	-0.86*									-3.71*

GBP	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2007			0.11	0.83	0.17	2.28	2.55	3.26	5.92	0.04	3.08	0.89	20.67
2008	10.18	6.86	-2.61	-2.33	0.95	2.91	1.33	1.21	-2.99	2.84	4.23	-0.67	23.25
2009	5.19	2.86	1.18	0.05	3.03	-0.90	1.36	0.66	1.55	1.02	0.40	0.40	18.00
2010	-0.23	-1.54	0.06	1.45	0.36	1.39	-1.96	1.23	1.42	-0.35	-0.30	-0.45	1.03
2011	0.66	0.52	0.78	0.51	0.59	-0.56	2.22	6.24	0.39	-0.73	1.71	-0.46	12.34
2012	0.90	0.27	-0.37	-0.41	-1.80	-2.19	2.38	1.01	1.95	-0.35	0.94	1.66	3.94
2013	1.03	2.43	0.40	3.42	-0.08	-2.95	-0.80	-1.51	0.06	-0.55	1.36	0.41	3.09
2014	-1.35	-1.10	-0.34	-1.03*									-3.77*

Source: Fund NAV data is provided by the administrator of the Fund, International Fund Services (Ireland) Limited. BHM NAV and NAV per Share data is provided by BHM's administrator, Northern Trust. BHM NAV per Share % Monthly Change is calculated by Brevan Howard. BHM NAV data is unaudited and net of all investment management fees (2% annual management fee and 20% performance fee) and all other fees and expenses payable by BHM. In addition, the Fund is subject to an operational services fee of 50bps per annum.

NAV performance is provided for information purposes only. Shares in BHM do not necessarily trade at a price equal to the prevailing NAV per Share.

\*Estimated as at 30 April 2014

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS

### ASC 820 Asset Valuation Categorisation\*

### Brevan Howard Master Fund Limited

#### Unaudited Estimates as at 30 April 2014

	% of Gross Market Value*
Level 1	72.3
Level 2	27.4
Level 3	0.3

Source: Brevan Howard

\* These estimates are unaudited and have been calculated by Brevan Howard using the same methodology as that used in the most recent audited financial statements of the Fund. These estimates are subject to change.

Level 1: This represents the level of assets in the portfolio which are priced using unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: This represents the level of assets in the portfolio which are priced using either (i) quoted prices that are identical or similar in markets that are not active or (ii) model-derived valuations for which all significant inputs are observable, either directly or indirectly in active markets.

Level 3: This represents the level of assets in the portfolio which are priced or valued using inputs that are both significant to the fair value measurement and are not observable directly or indirectly in an active market.

## Performance Review

During April, the Fund suffered some losses in USD interest rate trading, in equity macro trading and in FX trading. These losses were partially offset by small gains in EUR interest rate trading and in credit trading.

### Monthly, quarterly and annual contribution (%) to the performance of BHM USD Shares (net of fees and expenses) by strategy group

	Macro	Rates	FX	EMG	Equity	Commodity	Credit	Systematic	Total
April	-0.83	-0.12	-0.00	0.03	-0.05	0.02	0.04	-0.01	-0.93
Q1 2014	-3.19	-0.07	-0.03	-0.00	-0.06	0.02	0.56	-0.04	-2.83
QTD	-0.83	-0.12	-0.00	0.03	-0.05	0.02	0.04	-0.01	-0.93
YTD 2014	-4.00	-0.19	-0.03	0.03	-0.12	0.04	0.60	-0.05	-3.73

Monthly, quarter-to-date and year-to-date figures are estimated by Brevan Howard as at 30 April 2014, based on total performance data for each period provided by the Fund's administrator, International Fund Services (Ireland) Limited.

#### Methodology and Definition of Monthly Contribution to Performance:

Attribution is approximate and has been derived by allocating each trader book in the Fund to a single category. In cases where a trader book has activity in more than one category, the most relevant category has been selected.

The above strategies are categorised as follows:

"**Macro**": multi-asset global markets, mainly directional (for the Fund, the majority of risk in this category is in rates)

"**Rates**": developed interest rates markets

"**FX**": global FX forwards and options

"**EMG**": global emerging markets

"**Equity**": global equity markets including indices and other derivatives

"**Commodity**": liquid commodity futures and options

"**Credit**": corporate and asset-backed indices, bonds and CDS

"**Systematic**": rules-based futures trading

## Market Review and Outlook

### Market Commentary US

Employment rose at a brisk pace in April, making up for the weak numbers seen during the unusually harsh winter. At the same time, the unemployment rate dropped four tenths of a percentage point to 6.3%, the kind of monthly decline seen in only a handful of instances in the last 50 years. It seems likely the unemployment rate will fall below the psychologically important 6% rate by the end of the year. To be sure, some of the lustre of the April drop was tarnished by the fact that the participation rate fell by the same amount and average hourly earnings were flat.

Growth stalled in the first quarter and eventually might be revised into negative territory. However, the early indicators about the current quarter are positive, as the economy bounces back from the mostly temporary weather-related disruptions. Motor vehicle sales have been strong even though retail sales have been choppy. Indicators of business spending have picked up. Finally, inventories appear to be better aligned with final demand, a development that sets the stage for healthy gains in production going forward.

Inflation remains soft. Both headline and core price inflation are a little above 1%. There are tentative signs of a bottom at these low rates of inflation but no indication of any strong

upward momentum.

With the mixed signals from the data - a solid labour market against weak wage and price inflation - the Federal Reserve seems content to stick with its game plan to end QE this fall and raise rates sometime in the second half of next year.

### **EMU**

According to Eurostat's flash estimate, euro area HICP inflation recovered to 0.7% y/y in April from 0.5% y/y in March, less than initially expected. The rise in headline inflation in April was mainly driven by an Easter-induced rebound in core inflation and an acceleration of energy prices. Food prices continued to decelerate. Core inflation moved up to 1.0% y/y in April from 0.7% y/y in March. The rebound in services inflation was mainly driven by the late timing of the Easter holidays this year, while prices of non-energy industrial goods continued to decelerate in March. In April while the EMU Composite PMI climbed to its highest level since May 2011, March industrial production figures surprised to the downside showing a meaningful monthly fall and a loss of momentum towards the second quarter. The positive news is that the recovery in the periphery countries' labour markets continues. In April, the unemployment count fell in Spain almost by twice as much as expected by the consensus and showed a further decline in Portugal and Greece. The ECB Governing Council left interest rates unchanged at the May meeting but, as a response to the weak inflation data, signalled an upcoming easing of monetary policy in June. The Governing Council Members have also stepped up their rhetoric on the strong euro, calling the strengthening of the exchange rate in the context of low inflation a cause for serious concern. While the exchange rate is not a policy target for the ECB, it remains a very important indicator of price stability and for growth.

### **UK**

The UK activity data remains resilient, and shows no sign of slowing from the pace seen in recent quarters. Activity indicators over the past month actually ticked up again after some months of being stable. Consumer confidence has risen back to pre-crisis levels, retail sales growth has continued to be robust, as have car sales. House prices continue to rise at around a 10% annualised pace, and gains have become more broad-based geographically. Unemployment claims data point to ongoing improvement in the labour market, consistent with above-trend growth and a reduction in economic slack. The composition of growth has become better balanced, which reduces the risk that it will fall back sharply. The initial growth pick-up relied heavily on housing and consumption. Moreover, that consumption acceleration was largely financed with a reduction in savings, as real incomes remained broadly stagnant. But more recent data show better balanced growth in two respects. First, investment is making an increasing contribution to growth, and with investment intentions at cyclical highs, this strength looks set to continue at least in the near term. Second, with inflation falling further below target but some increase in wage inflation due to a stronger labour market, real household incomes are set to rise. These real income developments are likely to put consumption growth on a sounder footing for 2014. External rebalancing remains painfully slow, as this relies on eurozone demand improving by more than currently seems likely. Consumer price inflation remains benign and continues to surprise the Bank of England ("BoE") mildly on the downside. We expect inflation to remain below target for the remainder of the year. Wage inflation, on the other hand, show further signs of improving from its recent lows. As the year progresses, we expect wage inflation to normalise further. The BoE has switched from unemployment-

based forward guidance to more qualitative guidance now that the unemployment rate has fallen below 7%.

### Japan

The Bank of Japan ("BoJ") board members marked down their forecast for 2014 GDP growth but left its expectations for inflation unchanged on balance with a somewhat narrower spread. The BoJ sees inflation progressing in line with expectations and evinces no anxieties over the recent trend in prices. That outlook, however, does not appear to be supported by the latest data. Western core inflation for the country as a whole is not trending up. The latest seasonally adjusted index level (March) is the same as it was last November. Tokyo prices in April were pushed up by the consumption tax increase, but after adjusting for new taxes, the inflation data did not impress. There are no obvious factors to push non-food and energy inflation up further towards the BoJ's 2% goal. After coming off its high reached at the end of 2013, the dollar-yen rate is little changed on balance over the last three months. Consumer surveys of inflation expectations have not given up any ground won in the last year, but their upward march has stopped. The recent wage bargains are helpful but seem more likely to consolidate and ratify the previous pick-up in inflation rather than push it up further. The BoJ believes that the output gap is getting closer to levels indicating tightness, though the Cabinet Office's official figures still show some slack. Regardless, the level of the gap and the speed at which slack is being taken up would not normally be expected to support a sharp acceleration in prices. The latest activity and survey data are contaminated by the effects of the consumption tax hike at the start of April and cannot clearly reflect the underlying state of the economy. Measures such as industrial production and retail sales increased through March and were likely pushed up by households and business buying in excess to take advantage of pre-tax-hike prices. Survey data, such as the Shoko-Chukin survey of small businesses and the consumer confidence survey, show a sharp drop as respondents anticipate a fallout from the tax increase.

### China

China's growth in the first quarter of 2014 was weak, with GDP showing a 5.7% q/q (annualised) increase. In April, available indications show signs that the domestic side of the economy is bottoming out. However, the recovery from the lows of the previous quarter looks for the time being quite shallow. Both the HSBC and the official manufacturing PMI improved, but only by a small margin from the below 50 threshold lows recorded in March. Releases of industrial production, retail sales and fixed assets investments all undershot expectations, which were already quite modest. Consistently, loans dynamics were below expectations too, showing that monetary policy is slowly reducing its support to the economy. Trade figures, instead, showed an improvement for both exports and imports, with the trade surplus rebounding from USD 7bn to USD 18bn. Inflation dynamics continued to moderate. In April, CPI slowed from 2.4% y/y to 1.8%, significantly below the market consensus. Half of the decline was due to a high base effect, while the other half was due to an unexpected decline in vegetable prices; core inflation remained in line with its historical averages. The PPI continued to deflate at a fast -2% y/y clip.

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#### Risk Factors

Acquiring shares in BHM may expose an investor to a significant risk of losing all of the amount invested. Any person who is in any doubt about investing in BHM (and therefore the Fund) should consult an authorised person specialising in advising on such investments. Any person subscribing for shares in BHM must be able to bear the risks involved. These include, among others detailed in BHM's Prospectus, the following:

- The Fund is speculative and involves substantial risk.
- The Fund will be leveraged and will engage in speculative investment practices that may increase the risk of investment loss. The Fund may invest in illiquid securities.
- Past results of the Fund's investment managers are not necessarily indicative of future performance of the Fund, and the Fund's performance may be volatile.
- An investor could lose all or a substantial amount of his or her investment.
- The investment managers have total investment and trading authority over the Fund, and the Fund is dependent upon the services of the investment managers.
- Investments in the Fund are subject to restrictions on withdrawal or redemption and should be considered illiquid. There is no secondary market for investors' interests in the Fund and none is expected to develop.
- There are restrictions on transferring interests in the Fund.
- The investment managers' incentive compensation, fees and expenses may offset the Fund's trading and investment profits.
- The Fund is not required to provide periodic pricing or valuation information to investors with respect to individual investments.
- The Fund is not subject to the same regulatory requirements as mutual funds.
- A portion of the trades executed for the Fund may take place on foreign markets.
- The Fund is subject to conflicts of interest.
- The Fund is dependent on the services of certain key personnel, and, were certain or all of them to become unavailable, the Fund may prematurely terminate.
- The Fund's managers will receive performance-based compensation. Such compensation may give such managers an incentive to make riskier investments than they otherwise would.
- The Fund may make investments in securities of issuers in emerging markets. Investment in emerging markets involve particular risks, such as less strict market regulation, increased likelihood of severe inflation, unstable currencies, war, expropriation of property, limitations on foreign investments, increased market volatility, less favourable or unstable tax provisions, illiquid markets and social and political upheaval.

The above summary risk factors do not purport to be a complete description of the relevant risks of an investment in shares in BHM and therefore reference should be had to BHM's Prospectus and related offering documentation for a complete description of these and other relevant risks.